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S E C R E T SECTION 01 OF 03 SAN SALVADOR 000085

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OSD FOR ASD STOCKTON AND DASD MORA

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TAGS: MARR DOD PREL PGOV ES  
SUBJECT: Scenesetter for DoD Visit to El Salvador, March 8-9

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CLASSIFIED BY: RBlau, CDA, DOS; REASON: 1.4(D)

¶1. (C) Summary: Embassy San Salvador warmly welcomes the March 8-9 visit of Assistant Secretary of Defense Dr. Paul N. Stockton and Deputy Assistant Secretary of Defense Dr. Frank Mora. Your visit comes while the GOES is in the midst of combating a public security crisis of the first order. It also comes at a time when the ESAF has emerged as a major player in President Funes's anti-crime strategy and his efforts to pursue a center-left, generally pro-U.S. agenda. Your visit will help reinforce the U.S. policy of active engagement with the GOES, which strengthens the moderate, pragmatic elements in the current administration.

¶2. (C) Summary, continued: Recent polls show President Mauricio Funes with an 80 percent approval rating and overwhelming public support for a strong bilateral relationship with the U.S. Funes has fostered strong ties with the U.S. and Brazil, though some in the FMLN have pushed him to strengthen ties with Venezuela and Cuba while de-emphasizing the U.S. relationship. President Funes' non-FMLN campaign support group, the Friends of Mauricio (now the Citizen Movement for Change), is largely in control of the economic apparatus of the government. Similarly, Defense is in the hands of a formerly-retired, recently-promoted military officer and Friend of Mauricio, Brigadier General David Munguia Payes. FMLN members control security, education, and intelligence elements of the GOES. Foreign policy is in the hands of a loyal FMLN member, but has thus far been characterized by pragmatism and outreach to the U.S. Combating violent crime and rejuvenating the economy are the GOES's top priorities, but the Funes administration has made little progress on either issue since taking office last June. End Summary.

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Good Relations with U.S. Essential  
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¶3. (C) On the day he was inaugurated, President Funes told Secretary of State Clinton that his government needs a good relationship with the United States. Three out of every ten Salvadorans live in the U.S. and those who remain at home are avid consumers of all manner of American products, media, and culture. Nearly half of all Salvadoran exports are to the U.S. Given transnational crime links to and from the U.S. via Central America, there are no serious alternatives to cooperation with U.S. law enforcement agencies. The Salvadoran military admires and trusts our armed forces, and naturally look to us for training, equipment, and mentoring. USAID and MCC are prominent actors in social and economic development and are held in high esteem by the GOES and the people of El Salvador. As a result, the Salvadoran public is among the most pro-American in the hemisphere. Even the hard-line

FMLN recognize these points, if at the same time they do not forget our role in preventing them from seizing power with violence during the country's protracted and bloody civil war.

¶4. (C) There is a growing division between Funes and the party that brought him to power. Funes joined the FMLN at the end of the 2009 presidential campaign. Throughout the campaign, he maintained a close group of pragmatic, non-FMLN advisors (the Friends of Mauricio), a fact which rankled some FMLN hard-liners. Since Funes took power, tensions between Funes's centrist camp and the far-left FMLN leadership have grown. Funes has publicly rebuked his own Vice President, FMLN hard-liner Salvador Sanchez Ceren, and other members of the FMLN for advocating policies that sharply depart from Funes's moderate reform strategy. The FMLN appears content to ride Funes' high approval numbers while applying pressure via street protests, radical rhetoric, high-profile travel to Havana and Caracas, and back-room legislative maneuvering. So far, the fragile pact between Funes and the FMLN remains intact, but the relationship is clearly strained.

¶5. (C) The political right is in disarray, though there are signs that the worst of the post-election turmoil may be over. After losing the presidential elections in March 2009, (center-right) ARENA has seen 13 of its 32 legislative deputies leave the party, 12 of them forming a new party, the Grand Alliance for National Unity (GANA). In December 2009, ARENA expelled former President Tony Saca (2004-2009) from the party for alleged involvement in GANA's rebellion. While collectively the right-of-center parties could control a majority in the Legislative Assembly, infighting

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and opportunism have prevented them from uniting to mount an effective opposition to the FMLN's and President Funes's proposals. However, inter-party bickering on the right has died down in recent months, and recent conversations with ARENA leaders suggest the party is finally righting the ship after more than a year of internal confusion and passivity. If this rebound strategy works, a rejuvenated ARENA could serve as an important base of support for President Funes in his struggle with the far-left FMLN leadership.

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#### Military and Defense Update

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¶6. (S) Responding to public pressure to stem escalating rates of violent crime, in November 2009, President Funes deployed approximately 2,500 soldiers to occupy and control 28 of the most violent urban areas in the country. These forces supplement the 1,700-2,000 troops already operating joint patrols with the National Civilian Police (PNC), meaning that about half of the Salvadoran Army's 10,000 soldiers are engaged in domestic law enforcement. Aside from natural disaster relief efforts, this is the largest domestic deployment of the ESAF since the end of the 1980-92 civil war. While initially popular, a consensus has emerged that the added military presence has not significantly reduced violent crime.

¶7. (SBU) Highlights of the bilateral military relationship include:

-- Cooperation and training programs intended to maintain a rich military-to-military relationship in humanitarian assistance/disaster relief, counter-terrorism, counter-narcotics, and peacekeeping operations.

-- As a testament to the strength of the mil-mil relationship and the effectiveness of our training programs, El Salvador deployed troops to Iraq from August 2003 until early-2009 who were considered professional and competent by U.S. and coalition members.

-- In November 2009, Southern Command helicopters, based in Honduras, ensured rapid and effective delivery of emergency (mostly USAID) supplies in the wake of tropical storm Ida.

-- In June 2009, the USNS Comfort visit provided medical attention to nearly 20,000 people and two engineering projects to rural communities. Beyond-the-Horizons deployments are scheduled for 2010 and 2011. In November 2009, the Chief of the Salvadoran Navy signed a letter of request for four high-speed maritime interceptors under the Enduring Friendship Program.

-- In April 2009, we renewed the agreement to operate a Cooperative Security Location (CSL) for another five years. The CSL is located at the military end of the international airport, and serves as a regional hub for counter-drug detection-and-monitoring flights.

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U.S. Priorities  
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¶8. (SBU) Our work in El Salvador is focused on (1) promoting improved public security; (2) supporting stable, democratic governance; (3) broadening economic prosperity; and (4) investing in people.

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¶9. (SBU) Although El Salvador has made remarkable progress since the 1992 Peace Accords, violent crime continues unabated. The Central American Regional Security Initiative (CARSI), coupled with ongoing efforts to strengthen the police, expand crime prevention programs, and implement judicial reforms, aims to improve public security and the rule of law. On February 18, the Legislative Assembly passed a landmark wiretap law which will help authorities combat the growing problem of telephone extortions and assist investigations into a wide range of criminal activities. The significant USG commitment to improving regional security, as evidenced by the presence of the CSL and the International Law Enforcement Academy (ILEA), provides us with additional credibility with the Funes administration.

¶10. (SBU) Promoting economic growth, spurring job creation, and encouraging investment are important near-term USG priorities. Funes's electoral victory had a great deal to do with public dissatisfaction over economic conditions in El Salvador. Funes inherited an economy already in recession and a fiscal deficit which severely limits what he can do to stimulate growth. The GOES expects to raise \$190 million in new revenue with a tax reform passed in December 2009; however, many economists project far lower revenue growth. The private sector has criticized the tax reform as excessively complex and poorly timed given the economic downturn. Business leaders also complain the GOES has yet to detail regulations on how it will implement the new taxes. Redirecting loans from multilateral institutions from debt refinancing to budget assistance will provide some immediate fiscal relief. El Salvador's economic recovery will largely depend on the

U.S. economy, the destination for about half of its exports and major source of remittances (\$3.8 billion, or 18 percent of GNP, in 2008). In the short run, the (\$461 million) Millennium Challenge Corporation project will provide much-needed fiscal stimulus and new jobs, while CAFTA and our USAID assistance programs will help strengthen the foundations for future prosperity.

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The Way Ahead  
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¶11. (S) Although the Salvadoran electorate granted President Funes a mandate for change, by all appearances the voters expect him to work with the country's dynamic private sector, and to maintain good relations with the United States. Despite continuing problems with crime and a weak economy, the public is pleased with Funes's work thus far - his approval rating is above 80 percent in recent polling. Tensions between Funes and the FMLN could undermine governability and potentially damage the bilateral relationship with the U.S. Meanwhile, transnational organized crime and violent street gang activity pose as serious threat to the stability of the country. Your visit will help reaffirm our commitment to assisting the GOES in combating this non-traditional national security threat while continuing our traditionally-strong military-to-military relationship.

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